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This publication is a high-level summary of the most recent tax developments applicable to business owners, investors and high net worth individuals. Enjoy!

Tax Tidbits

Some quick points to consider...

- Income tax **refunds** and other federal **benefits** can be applied to **outstanding CEBA** (Canada Emergency Business Account) **loans** without the taxpayer's approval or direction.
- **CRA** publishes the current **estimated wait times** on their **phone** lines on the Contact the CRA webpage (<https://www.canada.ca/en/revenue-agency/corporate/contact-information.html>).
- **Online platforms** that facilitate activities such as short-term rentals, personal services, and car rentals are now **required to report information** on those earning income from their platforms **to CRA** on an annual basis.

Voluntary Disclosures: Changes to the Program

The **voluntary disclosures program (VDP)** provides taxpayers with a chance to **correct past tax errors** or **omissions** before CRA finds them. If CRA accepts a disclosure, taxpayers may receive **some penalty** and **interest relief** and will **not** be referred for criminal **prosecution**. Any **taxes** owing will still have to be **paid** by the taxpayer in full.

The VDP has been **significantly changed**, effective for disclosures submitted on or after **October 1, 2025**.

Types of disclosures

Under the new VDP, applications will be considered either **prompted** or **unprompted**.

Unprompted applications

An application will generally be considered **unprompted** when there has been **no communication** (verbal or written) about an **identified compliance issue** related to the disclosure, or when the application follows an **education letter** or notice that offers **general guidance** and filing information related to a particular topic.

Unprompted applications will normally be **eligible** for **75% relief** of applicable **interest** and **100% relief** of **applicable penalties** (referred to by CRA as general relief).

Prompted applications

An application will generally be considered **prompted** when it follows verbal or written **communication** about an **identified compliance issue** related to the disclosure. Such communications could include **letters or notices** (excluding education letters) to the taxpayer with one or more of the following:

- identification of a **specific error or omission** found on the taxpayer's account; or
- a **deadline to correct** an error or omission, where there is an expectation for the taxpayer to file or comply.

An application made **after CRA has received information** from **third party sources** regarding the **potential involvement** of a specific taxpayer (or of a related taxpayer) in tax **non-compliance** would also generally be considered **prompted**.

Prompted applications will normally be **eligible** for **25% relief** of applicable **interest** and **up to 100% relief** of applicable **penalties** (referred to by CRA as partial relief).

All applications

For both prompted and unprompted applications, **neither gross negligence penalties** nor **criminal prosecution** will be applied.

VDP eligibility

In order to be **eligible for relief**, an application must meet **all** of the **conditions** discussed below.

Voluntary

An application is **not voluntary** if an **audit or investigation** has been initiated against the **taxpayer or a related taxpayer** in respect of the information being disclosed. Audits or investigations are **not limited** to those conducted by the **CRA**, but can also be conducted by a **law enforcement** agency, **securities commission** or other federally or provincially regulated authority.

Past due

For **income tax** disclosures, the application must **include** information that relates to a **tax year** that is **at least one year** past the **filing deadline**. For disclosures related to **GST/HST** or various other taxes, duties and charges, the application must **include** information that relates to a **reporting period** that is **at least one period** past the **filing deadline**.

Interest or penalties

The application must include an error or omission subject to **interest** charges, **penalties** or both. Prior to these changes, only applications to which penalties were applicable were eligible.

Reminder: An application seeking to make or alter an election under an act administered by the CRA is not eligible for relief under the VDP.

Supporting documents included

The taxpayer must provide **all relevant information** for **all required tax years** and **respond** comprehensively and promptly to **all CRA requests** for information. Taxpayers must disclose **all known errors and omissions** in their tax obligations, including any **arm's length and non-arm's length transactions** or circumstances relating to the errors and omissions.

Supporting documentation (including returns, forms, statements and schedules) needed to correct the non-compliance for the **most recent six years** must be included with the application. However, if the **errors or omissions relate to assets or income** that are located **outside Canada**, this period is increased to the **most recent ten years**. Disclosures related to the matters included in the GST/HST memorandum require documentation for the **most recent four years**.

Documentation for tax years beyond these timeframes may be requested at CRA's discretion.

Payment

Either **payment** or a **request for a payment arrangement** must be made for any **estimated tax** owing. There is **no guarantee** that CRA will allow a **payment arrangement**. These requests will be reviewed by **CRA collections** officials.

Subsequent submissions

Applicants are expected to **remain compliant** after being granted relief under the VDP. However, CRA **may consider a subsequent application** if the **circumstances are beyond the person's control** or the new application is related to a **different matter** than a previous application.

ACTION: If there have been any errors or omissions in tax reporting, consider making a voluntary disclosure. CRA's access to information from third parties (such as online rental and sales platforms) has increased significantly in recent years.

TFSA Excess Contributions: Decline in Value

A July 25, 2025 **Federal Court** case found that **CRA's denial of penalty tax relief** on **excess TFSA** contributions was **reasonable**. Due to the **loss of value** in the taxpayer's TFSA, the taxpayer **could not withdraw** the full amount of his **excess** contribution. The taxpayer noted that without relief, his only means of reducing the overcontribution was to **wait for annual TFSA limit increases**, currently set at \$7,000, which would require approximately **16 years** for the ongoing tax to be fully eliminated. CRA found, and the Court agreed, that this situation provided **no basis** for relief. The Courts have ruled similarly in several other cases.

However, the Court stated that it **shared the taxpayer's concerns** that, in certain circumstances, prolonged and **ongoing liability** and **inability to remedy** overcontributions appear to be **inconsistent** with the legislator's intent. The Court stated that the legislation, as is, operates as a **perpetual tax trap** for taxpayers who made a good-faith but mistaken overcontribution, and even when they act to unwind it to the best of their ability, they cannot do so because the value of their TFSA is insufficient.

ACTION: Prior to making TFSA contributions, check your available contribution room on the CRA My Account portal. Ensure to adjust the CRA-provided contribution room for factors that may not yet be reflected in CRA's balance, such as contributions made since CRA's last update.

Commissioned Employee Clothing Purchases: Deductible?

A July 30, 2025 **Tax Court of Canada** case considered whether **luxury clothing expenses** claimed by a **commissioned employee** for the 2016 to 2018 taxation years were deductible against the individual's employment income. The taxpayer worked as a sales associate for Holt Renfrew and argued that she was **required**, either expressly or implicitly, to **incur clothing expenses** to fulfill her employment duties. The taxpayer also argued that the clothes were only used in the work environment and were depleted quickly due to wear and tear, as well as changes in fashion. To deduct expenses related to commission income or the cost of supplies consumed in employment duties, employees must have received a T2200 and be **required by contract** to pay for their own expenses.

Taxpayer loses

The Court found that there was **no** explicit or implicit **contractual obligation** for the taxpayer to incur such expenses. The **employer consistently denied requiring** employees to buy any clothing in excess of what was covered by the employer-provided clothing allowance, but rather, only required that clothes worn be clean, fresh and coordinated. **No T2200 form** was issued as employees were not expected to bear personal costs for work-related clothing. The Court emphasized that, while the taxpayer believed that incurring those expenses helped the taxpayer generate more commission, a strategic and **economic choice is not equivalent** to a **legal obligation** under her employment terms. No deduction for clothing was permitted.

The Court also acknowledged that **work clothes** may be **deductible in unique circumstances** and noted that it may have been possible that the clothes were **used up in a season or two** due to wear, tear and changes in fashion. However, that angle was not relevant as the taxpayer lost on the aforementioned grounds, in addition to not providing sufficient support that the expenditures were incurred.

ACTION: Ensure to only claim expenses against employment income if all conditions for deducting such an amount are met.

Child/Spousal Support Amounts: Changing the Agreement

Spousal support payments are generally **taxable** to the recipient and **deductible** by the payer. On the other hand, **child support** payments are **neither taxable** to the recipient **nor deductible** to the payer. Any support amount that is not identified in an agreement or order as being solely for spousal support is considered to be child support.

A July 16, 2025 **Tax Court of Canada** case considered the **deductibility of \$33,000 in support payments** claimed as spousal support for 2019. The primary issue was the extent to which monthly payments of \$8,000 made under a July 2019 consent order constituted deductible spousal support rather than non-deductible child support.

While the Minister had **allowed a deduction of \$3,500/month** for January to June 2019 paid under a **prior separation agreement** that explicitly identified the amount as spousal support, it denied deductions for payments made in the latter half of 2019. The **consent order** that took effect on July 1, 2019 (which replaced the separation agreement), did **not specify which portion** of the \$8,000 payment was exclusively for **spousal support**.

Taxpayer loses

Pursuant to the **original separation agreement**, **\$2,500** of each **monthly payment was for child support**. The **taxpayer argued** that the **same amount** of the **revised \$8,000 monthly payment** would also be for **child support**, leaving the **remaining \$5,500** to be deductible as **spousal support**. The **Court disagreed**, noting that, since the consent order replaced the separation agreement and did **not identify any portion** of the \$8,000 as solely **spousal support**, the payments were **all child support** and therefore neither deductible by the payer nor taxable to the recipient.

ACTION: Ensure that the taxation of support payments under any support or separation agreement is clearly understood to avoid surprises and potential disputes at a later time.

Moving Expenses: Travel Distance

An August 25, 2025 **Tax Court of Canada** case considered whether a taxpayer's **relocation expenses** in 2020 qualified as deductible moving expenses. The dispute focused on whether the **distance** between the old residence and the new work location was **at least 40 kilometres greater** than the distance between the new residence and the new work location.

CRA calculated the difference as **only 32.8 km** using an "eastern route" proposed by **Google Maps**. The **taxpayer**, also using Google Maps, submitted route data showing an average difference of **47.4 km** using a "western route."

Taxpayer wins

The Court noted that, based on various other court cases, the **measure** and **test** should be evaluated based on the **shortest normal route**. The Court noted that technology like **Google Maps** is widely accepted and used, representing an **updated method** and the new norm to identify the shortest normal route. This was supported by the fact that both the taxpayer and CRA used Google Maps to determine the appropriate route.

The Court then examined the parameters that CRA and the taxpayer used to obtain their respective Google Map results. It noted that the **CRA** agent, located in a different time zone than the taxpayer, had **generated route estimates** based on traffic at approximately **7:45 pm**, rather than the taxpayer's actual commuting time of 4:45 pm. The **taxpayer** demonstrated that in four out of five weekdays, **at 4:45 pm**, Google Maps suggested the route resulting in a **47.4 km difference**. The Court noted that the updated utilization of **computer algorithms**, when **properly deployed**, renders consistent sets of data to determine whether a move is an eligible relocation or not.

The Court agreed with the taxpayer, concluding that the average daily travel distance saved by the move exceeded 40 kilometres, and therefore, the **relocation qualified**.

ACTION: If claiming a moving expense, document how the "shortest normal route" was calculated. Include details on which tool was used and the parameters entered.

Postal Strike: Impact on Government Activities

The most recent **Canada Post strike** commenced on September 25, 2025. Shortly after, **CRA** provided an **update** on the **impact**, including the following **guidance**:

- taxpayers are still **responsible** for **meeting their tax obligations**, and are **encouraged** to file or remit **electronically**;
- communications regarding **audits, objections, appeals, disputes or relief requests** will continue by **telephone** and **digital services** (e.g. online CRA accounts or the Secure drop

zone), but written letters will be limited to exceptional circumstances; and

- **penalty and interest relief** may be granted to those who cannot meet their tax obligations due to circumstances beyond their control.

CRA continues to update their webpage in connection with Canada Post mail service interruptions. Please visit (<https://www.canada.ca/en/revenue-agency/news/newsroom/canada-post-mail-service-disruption-impact-cra.html>) for the latest information.

On September 29, 2025, **Service Canada** stated that **delays will occur** in respect of cheques mailed for **Canada disability benefits** and **employment insurance benefits**. **CPP and OAS cheques** will be **delivered**, but may be delivered prior to the date on which they can be deposited. They also encouraged the submission of **online applications** for various **programs** and registering for **direct deposit**. They noted that **decision letters** and **other mail-outs** for many programs will be **affected** by interruptions.

ACTION: Consider signing up for direct deposit if you have not already done so.

CRA Direct Deposit Information: Changing Information

Individuals can now **register** for and **update** their **direct deposit** information only through **CRA's online portal** or through their **bank** or credit union. Alternatively, they can request a change by mailing a form to CRA; however, CRA noted that processing time for these requests is up to three months. Individuals **cannot** update or initiate direct deposit by **calling CRA**. Representatives can no longer submit changes through EFILE and cannot make changes through their online client access to CRA's portal (unless the representative is a legal representative, which is fairly unusual).

Recent changes to the process for registering and updating direct deposit information are due to evolving threats and attempts to defraud the system.

ACTION: Ensure to properly update direct deposit information with CRA.

Automatic Change to Electronic Mail for Some Individuals: Caution!

Starting July 3, 2025, CRA **changed** the **delivery method** for **most mail** from paper to **online** only for approximately 500,000 individual benefit recipients. As of **September 4, 2025**, CRA expanded this project to include an additional 900,000 individuals and broadened the scope beyond just benefit recipients.

This change applies to some **individuals** who are **registered** for a **CRA account** and currently **receive paper mail**. CRA noted that impacted individuals will receive an **email notification** and, in some cases, a **letter** from the CRA with more information on what is changing.

This change does **not impact** any benefit, credit or refund **payments** going forward.

Impacted individuals can change their correspondence back to paper mail by updating their preferences in their CRA My Account profile.

ACTION: If you are transitioned to online-only mail but you wish to retain paper mail correspondence, ensure to update your preferences in My Account.

Trust Filing Rules – Bare Trust Arrangements

On December 16, 2025, CRA announced that based on proposed legislation in Bill C-15 and consistent with explanatory notes published by the Department of Finance, the CRA does not expect bare trusts to file a T3 Trust Income Tax and Information Return (T3 Return) including Schedule 15 Beneficial Ownership Information of a Trust for taxation years ending 2025. Certain bare trusts will be required to file for taxation years ending on or after December 31, 2026.

The CRA confirms that taxpayers may voluntarily file under current law, pending the enactment of Bill C-15. If the proposed legislative changes are not enacted, the CRA will provide further direction at that time.

Visit CRA webpage [What has changed - Filing a trust's T3 return - Canada.ca](#) for further details and updates.

Year-end Tax Planning

A senior whose 2025 net income exceeds \$93,454 will lose some or all of their **old age security** pension. Seniors will also begin to lose their age credit if their net income exceeds \$45,522. Consider limiting income over these amounts, if possible. Alternatively, deferring receipt of old age security amounts (for up to 60 months) may be beneficial if it would otherwise be eroded due to high income levels.

Canada pension plan (CPP) receipts may be split between spouses aged 65 or over (application to CRA is required). Also, it may be advantageous to apply for CPP early (age 60-65) or late (age 65-70).

You have until March 2, 2026 to make tax-deductible registered retirement savings plan (RRSP) contributions for 2025 year. Consider having the higher-income earner contribute to their spouse's RRSP via a spousal RRSP for greater tax savings.

An additional \$7,000 may be contributed to the tax-free savings account (TFSA) starting January 1, 2026. Withdrawals made up to December 31 can be re-contributed starting January 1 of the following calendar year.

Consider contributing to the tax-free first home savings account (FHSA). Eligible contributions are deductible, and withdrawals to purchase a first home are not taxable. Up to \$8,000 can be contributed annually to a maximum lifetime limit of \$40,000. Contributions made in 2025 and unused contributions from 2024 can be deducted against 2025 income.

NEW! If eligible for the disability tax credit, consider applying for the income-sensitive Canada disability benefit, which provides up to \$2,400/year in support to individuals aged 18 to 64. The first payments for this benefit commenced in July 2025.

Firm News

As we step into 2026, we would like to take a moment to thank you for being an essential part of our journey. We would like to wish everyone a Happy New Year with a wish for happiness, health and success, as we work together to achieve our combined goals.

A friendly reminder to ensure you send us your confidential tax documents via a secure method. Our preferred choice is through our **secure Rolfe Benson iFirm PORTAL**. If you've not signed up, now is a great time to do so. Please contact the administration group at admin@rolfebenson.com (subject line: Portal Registration) or the Partner in charge of your file to help get you started. Please do not send us *unsecured* documents with your SIN, BN or other sensitive, confidential information. This puts you and potentially everything associated with your sensitive documents at risk for identity fraud.

We have some exciting RB News to share with you! Lucy Li, Amy An and Steve Kwak successfully completed CFE. Jade Roque, Nick Pearce, Sam Routledge and Annie Washington were recently promoted to Managers in our Accounting and Assurance group and Audrey Chan was promoted to Director of Tax. We are fortunate to have many great staff that work hard to meet deadlines and provide ongoing support to all our clients. We will continue to invest in our people so they can excel in their roles, but most importantly, provide expert advice to you, our clients.

We are excited to welcome three fulltime CPA students and five co-op students who joined our firm on January 5, 2026. These talented individuals bring fresh perspectives and enthusiasm as they begin their professional journey in public practice. Over the coming months, they will be working closely with our teams across tax, assurance, and advisory services, gaining hands-on experience and contributing to client success. Please join us in extending a warm welcome as they embark on this important step toward their CPA designation.

Personal Tax Season is just around the corner. Please start collecting and organizing your personal tax materials for this busy season. Once **all** of your materials are collected, please submit them together through our secure Portal. Please visit rolfebenson.com, select “client centre” then “client portal”. If you need assistance, please contact your Partner’s Executive Assistant for help. Please feel free to reach out to us with any questions you may have and keep your eyes open for our personal income tax Welcome Package in early March!

Aaron Kuzik
Managing Partner

The preceding information is for educational purposes only. As it is impossible to include all situations, circumstances and exceptions in a newsletter such as this, a further review should be done by a qualified professional.

No individual or organization involved in either the preparation or distribution of this letter accepts any contractual, tortious, or any other form of liability for its contents.

If you have any questions, give us a call!